FEDERAL COMMUNICATIONS COMMISSION

Approved by OMB
3060-0127
See below for public burden estimate

ASSIGNMENT OF AUTHORIZATION

To be used in the Private Radio Services indicated below, where the present licensee's activities are intended to be continued under new ownership.

1. The present licensee completes the information requested below.
2. This form is then attached to the proper application form (see below) which has been completed by the party requesting the station license, the assignee.
3. If more than one authorization is involved, use a separate Assignment of Authorization and a separate application form for each requested authorization.

INVOLUNTARY ASSIGNMENT

In the event of the assignor's death or legal disability, it is requested that, in lieu of the declaration appearing below, you submit a copy of the court order or other documentary proof that you are the person legally qualified to succeed to the assignor's business assets, or a statement explaining the circumstances under which control must be involuntarily transferred to the assignee, accompanied by the appropriate application form (see below) for assignment of each such authorization.

Radio Service Application Forms		Commission Rules
FCC Form 600 -	Application for Mobile Radio Service Authorization or Rural Radiotelephone Service Authorization	47 CFR Part 90
FCC Form 415 -	Application for Station Authorization in the Microwave Services	47 CFR Part 101
FCC Form 406 -	Application for Ground Station Authorization in the Aviation Services	47 CFR Part 87
FCC Form 503 -	Application for Land Radio Station License in the Maritime Services	47 CFR Part 80

CURRENT AUTHORIZATION

Radio Service	Licensee Name and Station Location
OFS	MediaOne of Lakewood, Inc. Long Beach, CA
Call Sign WNEE-392	

CERTIFICATION

I hereby propose the ~~assignment~~ transfer of all my right, title and interest in the authorization described above. Such ~~assignment~~ transfer to AT&T Corp.
shall not be completed nor become effective until authorization has been issued by the Commission in the name of the ~~assignee~~ transferee. My authorization will be submitted to the Commission for cancellation upon completion of ~~assignment.~~ transfer

Name of ~~Assignor~~ Transferor (include title, if applicable)	~~Assignor's~~ Transferor's Signature and Date
Steven Briltz, Assistant Secretary	[signature] 6/28/99

NOTICE TO INDIVIDUALS REQUIRED BY THE PRIVACY ACT OF 1974 AND THE PAPERWORK REDUCTION ACT OF 1995

The solicitation of personal information requested in this form is authorized by the Communications Act. The Commission will use the information provided in this form to determine whether grant of this application is in the public interest. In reaching that determination, or for law enforcement purposes, it may become necessary to refer personal information contained in this form to another government agency. In addition, all information provided in this form, as well as the form itself, will be available for public inspection. If information requested on the form is not provided, processing of the application may be delayed or the application may be returned without action pursuant to Commission Rules. The foregoing notice is required by the Privacy Act of 1974, Public Law 93-579, December 31, 1974, 5 U.S.C. Section 552a(e)(3) and the Paperwork Reduction Act of 1995, Public Law 104-13, October 1, 1995, 44 U.S.C. 3507.

Public reporting burden for this collection of information is estimated to average five minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing the burden to Federal Communications Commission, Records Management Branch, AMD-IM, Washington, DC 20554, Paperwork Reduction Project (3060-0127) or via the Internet to dconway@fcc.gov. DO NOT SEND COMPLETED APPLICATIONS TO THIS ADDRESS. Individuals are not required to respond to a collection of information unless it displays a valid OMB control number.

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CURRENT AUTHORIZATION

Radio Service	Licensee Name and Station Location
OFS	MediaOne of Lakewood, Inc. Long Beach, CA
Call Sign: WNEE-393	

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Name of ~~Assignor~~ Transferor (include title, if applicable)	~~Assignor's~~ Transferor's Signature and Date
Steven Brilz, Assistant Secretary	[signature] 6/28/99

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CURRENT AUTHORIZATION

Radio Service	Licensee Name and Station Location
OFS	MediaOne of Lakewood, Inc. Norwalk, CA
Call Sign WNEE-394	

CERTIFICATION

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Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC 20554

In the Matter of	)
	)
Applications for Consent to the Transfer of Control of Licenses	))
	)
MediaOne Group, Inc., Transferor	))
	)
To	)
	)
AT&T Corp., Transferee	))

APPLICATIONS AND PUBLIC INTEREST STATEMENT

DESCRIPTION OF THE TRANSACTION, PUBLIC INTEREST SHOWING AND RELATED DEMONSTRATIONS

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July 7, 1999

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DESCRIPTION OF TRANSACTION, PUBLIC INTEREST SHOWING, AND RELATED DEMONSTRATIONS

This Exhibit is being filed in connection with a series of applications seeking the consent of the Federal Communications Commission ("FCC") to the transfer of control of Commission authorizations held by subsidiaries of MediaOne Group, Inc. ("MediaOne"), and entities controlled by MediaOne, to AT&T Corp. ("AT&T").[1] The applications are being filed pursuant to an Agreement and Plan of Merger dated as of May 6, 1999 (the "Agreement").[2] Through the use of facilities that are the subject of its Commission authorizations and licenses, MediaOne owns, operates and controls interests in various cable television systems throughout the United States. As this public interest showing demonstrates, the Merger will foster new facilities-based competition in the provision of local telephone service and result in new, enhanced and competitive services to the public without reducing competition in any service.[3]

Under the terms of the Agreement, AT&T effectively will become the parent company of MediaOne. The stockholders of MediaOne will exchange their shares of stock in MediaOne for shares of AT&T common stock, cash, or a combination of both. Specifically, AT&T will create Merger Sub, a wholly-owned subsidiary that does not hold any Commission

[1] The Commission authorizations controlled by MediaOne for which Commission consent is currently being sought include licenses in the cable television relay service, satellite transmit and receive earth station service, private radio service and international common carrier service.

[2] The Agreement is among AT&T, Meteor Acquisition Inc., a direct wholly-owned subsidiary of AT&T ("Merger Sub"), and MediaOne, with respect to the merger of MediaOne with and into Merger Sub (the "Merger").

[3] Although specific applications seeking Commission consent to the transfer of control of these authorizations are being filed on the appropriate Commission forms for each service, the proposed transactions and public interest considerations supporting the Commission's approval of the applications are the same for each application.

licenses, and will merge MediaOne into that company; Merger Sub will be the surviving company of the Merger, continuing to be wholly owned by AT&T and succeeding to all the assets, liabilities and businesses of MediaOne. The authorizations and licenses held by MediaOne subsidiaries will continue to be held by those subsidiaries, as controlled indirectly by AT&T.

I. INTRODUCTION

The Commission has recognized that one of the principal goals of the Telecommunications Act of 1996 (the "1996 Act" or "Act") was to open local exchange and exchange access service to competition.[4] At the time the 1996 Act was enacted, both the House and the Senate stressed the primary importance of promoting competition in the provision of local telephone service.[5] Nevertheless, more than three years after the passage of the 1996 Act, incumbent local exchange carriers ("ILECs") retain monopoly control over local exchange and exchange access service areas nationwide. Although competition for the largest business customers is beginning to develop in some urban areas,[6] competition for residential and small

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[4] *See, e.g., Defining Primary Lines*, 12 FCC Rcd. 13647, ¶ 25 (1997).

[5] *See* H.R. Rep. No. 104-204, at 48 (1995) (main component of the bill "promotes competition in the market for local telephone service"); S. Rep. No. 104-23, at 5 (1995) (legislation "reforms the regulatory process to allow competition for local telephone services by cable, wireless, long distance" and other entities).

[6] Memorandum Op. and Order, *Applications for Consent to Transfer of Control of Licenses and Section 214 Authorizations from Southern New England Telecommunications Corp., Transferor, to SBC Communications, Inc., Transferee*, 13 FCC Rcd. 21292, ¶ 20 (1998) ("*SBC-SNET*"); Memorandum Op. and Order, *Applications for Consent to Transfer of Control of Licenses and Section 214 Authorizations from Tele-Communications, Inc., Transferor, to AT&T Corp., Transferee*, CS Docket No. 98-179, ¶ 50 (FCC Feb. 18, 1999) ("*AT&T-TCI*").

business ("mass market") local exchange and exchange access service has been virtually non-existent.[7] In approving AT&T's acquisition of Tele-Communications, Inc. ("TCI"), the Commission recognized the profound benefits that mass market consumers would realize from the vigorous competition in residential local exchange service that would result from the combination of AT&T's telephony brand and experience with the network assets of a cable company.[8]

Like the Commission, AT&T is "committed to ensuring that residential local exchange competition becomes a reality sooner rather than later."[9] AT&T has repeatedly demonstrated its commitment to developing competition in local exchange services through the expenditure of substantial capital and effort. Indeed, in pursuit of its goal to provide local telephone service and Internet access alternatives at the mass market level in numerous individual service areas and across the United States, AT&T has taken substantial risks, committing to invest more than $100 billion of shareholder assets that will be necessary to provide facilities-based local telephone competition sooner rather than later. In addition to those associated with the TCI and MediaOne mergers themselves. These assets include billions of dollars expended on capital upgrades to facilities to provide for high quality Internet protocol ("IP") local telephone service, and prior to the initiation of such IP telephony, competition in the

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[7] Memorandum Op. and Order, *In re Application of Teleport Communications Group, Inc., Transferor, and AT&T Corp., Transferee*, 13 FCC Rcd. 15236, ¶ 24 (1998) ("*AT&T-Teleport*") (ILECs "are the sole actual providers of local exchange and exchange access services to the vast majority of residential and small business customers in most areas of the United States.")

[8] *AT&T-TCI* ¶¶ 146-47.

[9] *Id.* ¶ 48.

provision of facilities-based, circuit-switched local telephony. As the Commission recognized in *AT&T-TCI*, the best prospect for bringing effective competition to local exchange service areas in the near future is through combinations of complementary assets by emerging entrants into previously foreclosed markets.[10]

For the same reasons that it found that AT&T's acquisition of TCI was pro-competitive and served the public interest, the Commission also should find that the Merger of AT&T and MediaOne is pro-competitive and serves the public interest. Because of the complementary nature of AT&T's and MediaOne's assets, the combined entity will be able to provide an alternative to the dominant ILECs' services for residential customers far more quickly and effectively than either entity could separately. The combination of AT&T and MediaOne will foster competition in local telephony almost immediately in some service areas, where MediaOne's ongoing upgrade of its cable facilities to provide for telephony can be immediately combined with AT&T's superior brand, engineering and network management experience, customer care, as well as scale economies, to provide for competition that simply does not exist today. In other MediaOne service areas, AT&T's capital and telephony experience will expedite the construction and deployment of competitive facilities-based local telephony. The scale and clustering economies that will accompany the combination of the assets of AT&T and MediaOne will create a stronger competitor to ILECs that have the advantage of enormous geographic reach, clustering and home penetration at levels that neither MediaOne nor AT&T could achieve absent the Merger.[11]

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[10] *Id.*

[11] Even with the Merger, AT&T-MediaOne cannot achieve the same levels of clustering and home penetration as the largest ILECs.

The Merger will provide these benefits, as well as other benefits in the video and Internet access services described below, without diminishing competition in the provision of any services, given the complementary, rather than competing, nature of the assets of AT&T and MediaOne. AT&T and MediaOne do not serve the same geographic service areas except in a few insignificant instances of overlap, and the Merger therefore will not eliminate current or probable future competitors. Given the combined market shares of AT&T and MediaOne, the Merger also will not significantly increase concentration in any telephony, video or Internet service. Nor will the Merger give AT&T the ability or the incentive either to exercise monopsony power in video programming or to foreclose access to cable programmers that sell programming in competition with the programming provided by Liberty Media Group, which is independently managed and controlled by the holders of a separate tracking stock within AT&T. Rather, AT&T will have an even greater incentive to provide consumers access to the largest amount of programming possible in order to maximize the value of its cable assets.

For these reasons, the Merger is in the public interest and the applications for consent to the transfer of control of MediaOne's licenses to AT&T should be granted.

II. DESCRIPTION OF THE TRANSACTION

A. The Merger

MediaOne will be merged into Merger Sub, a wholly-owned subsidiary of AT&T, and will no longer exist as a separate entity. MediaOne's shareholders will have the option to convert their shares into cash, shares in AT&T or a combination of both, based on the shareholder's election.[12]

B. The Merger Parties

AT&T - Telephony. AT&T provides domestic and international long distance telephone services to residential, business, and government customers in the United States and to more than 250 countries and territories around the world. AT&T also provides other communications services, including local telephone, wireless, and Internet access services. AT&T's 1998 communications services revenues were $53.2 billion.[13] In 1998, AT&T earned $22.9 billion in revenue from its business services, $22.6 billion from its consumer services and $5.4 billion from its wireless services.[14]

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[12] Shortly before entering into the Agreement, AT&T also entered into a Letter Agreement with Comcast Corporation ("Comcast"), which contemplates an exchange between AT&T and Comcast of certain cable television systems ("Comcast Exchange"). Upon the consummation of the Merger and the fulfillment of certain other conditions, Comcast will transfer to AT&T cable systems in Ft. Lauderdale and Davie, Florida; Sacramento, California; Chesterfield, Virginia; Chamblee, Georgia; Chicago, Illinois; Westmoreland, Pennsylvania; and the State of Colorado. AT&T will transfer to Comcast cable systems in Naples and Ft. Myers, Florida; Detroit, Michigan; Washington, D.C.; Baltimore and Ocean City, Maryland; the State of New Mexico; Philadelphia, Pennsylvania; and other systems in Michigan or in Nashville, Tennessee. In addition, AT&T currently owns 50 percent of the equity of Lenfest Communications, Inc. and has entered into an agreement to purchase the remaining 50 percent. Subject to certain conditions, Comcast will manage the cable television systems owned or controlled by Lenfest for ten years following AT&T's acquisition of the remainder of Lenfest. Applications for the FCC's consent to the transfers associated with these transactions will be presented in separate filings.

[13] 1998 AT&T Annual Report at 32.

[14] *Id.*

AT&T currently provides local telephone service – local exchange and exchange access services – on a limited basis.[15] At the time of its acquisition of TCI, AT&T offered resold local exchange service to less than one-half of one percent of its total residential customers.[16] At the present time, AT&T resells local exchange service to approximately 220,000 customers in seven states.[17] Although AT&T's revenues from all local telephone services increased, from $562 million in 1997 to $974 million in 1998,[18] revenues from local telephone service continue to comprise only a very small percentage of AT&T's total revenues and of total industry revenues in those markets.[19]

In July 1998, AT&T acquired Teleport, primarily to expand its offering of local exchange and exchange access services for business customers.[20] AT&T and Teleport together accounted for only 0.8 percent of 1997 local exchange and exchange access service revenues for large business customers.[21]

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[15] *See AT&T-TCI* ¶ 3; *AT&T-Teleport* ¶ 4.

[16] *AT&T-TCI* ¶ 3 & n.7 (AT&T resold local telephony to approximately 325,000 customers).

[17] These states include California, Connecticut, Georgia, Illinois, Michigan, New York, and Texas.

[18] 1998 AT&T Annual Report at 42.

[19] AT&T's efforts to compete in the provision of local exchange and exchange access service through resale of ILEC service, interconnection to ILEC facilities, and construction of its own facilities (ADL and SONET Ring), are now a matter of a well-documented record before the Commission. *See generally AT&T-TCI*; *AT&T-Teleport.*

[20] *AT&T-Teleport* ¶ 8.

[21] *Id.* ¶ 36. In addition, Teleport had only a minuscule share of the local exchange and exchange access service residential and small business revenues. *Id.* ¶ 33. At the time of the merger, Teleport operated in 83 cities in the United States, including 29 of the largest 30, providing local exchange and exchange access services primarily to business customers in urban areas and to a relatively small number of residents in multiple dwelling units in high-density areas. *Id.* ¶ 5.

In March 1999, a subsidiary of AT&T merged with TCI, and AT&T became the parent company of TCI. The merger enabled AT&T to integrate its telecommunications business with TCI's cable networks and thereby begin to build facilities-based local residential telecommunications networks where TCI operated cable systems. At the time of the merger, TCI was primarily a cable company, but was engaging in limited tests of local exchange service in San Jose, California; Dallas, Texas; Hartford, Connecticut; and Arlington Heights, Illinois.[22] AT&T has proceeded to upgrade TCI's cable network and deploy local telephony facilities, and already has begun providing facilities-based local exchange telephone service in Fremont, California.[23]

AT&T also provides wireless telephone services through its ownership and operation of AT&T Wireless Services Inc. ("AT&T Wireless").[24] AT&T Wireless operates and holds interests in commercial mobile radio service ("CMRS") systems in 26 of the 30 largest service areas in the United States. In 1998, AT&T Wireless generated revenues of approximately $5.4 billion from a wireless customer base of 9.7 million.[25]

AT&T – Cable Television Systems and Video Programming. AT&T, through its subsidiary TCI, delivers a wide range of video products, including local broadcast stations;

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[22] TCI had announced plans to sell its operations in Hartford, where the majority of its local residential business was located, to Cablevision Systems Corporation.

[23] *See AT&T-TCI* ¶ 148. The initiation of telephone service to residential customers in Fremont is part of a plan to initiate service in 10 areas in the near future.

[24] *Id.* ¶ 4.

[25] 1998 AT&T Annual Report at 32. In addition, AT&T has placed into a trust arrangement, pending sale over a period of time approved by the Commission and the Department of Justice, approximately 23.8 percent of the outstanding shares of Sprint PCS Tracking Stock. *See AT&T-TCI* ¶ 107.

national, regional, and local cable programming services; premium movie and pay-per-view services; and sports programming services to homes and businesses nationwide. AT&T generally divides its interests in cable systems into three categories: owned and operated systems (in which AT&T is the 100 percent owner); consolidated systems (in which AT&T has a greater than 50 percent, but less than 100 percent, interest, and which are consolidated for financial reporting purposes); and non-consolidated systems (in which AT&T has a 50 percent or less interest). A detailed list of these interests, along with the approximate number of cable homes passed and subscribers served, is contained in Appendix A.

Through its indirect 100 percent ownership of the outstanding capital stock of Liberty Media Corporation ("LMC") and several other corporations, AT&T also holds an interest in Liberty Media Group ("Liberty"). LMC and its subsidiaries own assets representing substantially all the assets attributed to Liberty. Liberty has an interest in the following video programming providers: Discovery Communications, Inc., USA Networks, Telemundo Network, Telemundo Station Group, BET Holdings II, Inc., Fox Sports World, Fox Sports World Español, Fox Sports South, Fox/Liberty Networks LLC,[26] QVC, Inc., Regional Programming Partners, Canales ñ, Court TV, MacNeil/Lehrer Productions, TV Guide, Inc., E! Entertainment Television, Style, Odyssey, International Channel, Sunshine Network, and Encore Media Group. Further, Liberty owns a series of common stock representing approximately nine percent or less of the common stock (but less than one percent of the voting power) of Time

[26] In a pending transaction, Liberty will divest its interest in Fox/Liberty Networks (which owns interests in various regional sports and fX, a regional cable television network) in exchange for non-voting American Depository Receipts of News Corporation.

Warner Inc., which owns 74.49 percent of Time Warner Entertainment ("TWE").[27] Liberty also owns interests in a number of foreign programming service providers, including Flextech p.l.c. (UK), Jupiter Programming Co., Ltd. (Japan), MultiThematiques, S.A. (France, Italy, Spain, Poland, Germany), Pramer S.C.A. (Argentina), The Premium Movie Partnership (Australia), and Torneos y Competencias, S.A. (Argentina).

AT&T has issued two classes of separate tracking stocks, Liberty Group A and Liberty Group B, that track the performance of Liberty. The Liberty Group tracking stocks are held by separate public shareholders, and no part of the ownership of Liberty is reflected in AT&T common stock. The Liberty tracking stocks are held by shareholders that held TCI-Liberty tracking stock or TCI Ventures tracking stock prior to the merger of AT&T and TCI, and others that have purchased these publicly-traded shares subsequent to that merger. AT&T indirectly owns 100 percent of the outstanding capital stock of LMC, which, in turn, owns substantially all of the assets of Liberty. However, as a matter of AT&T's publicly disclosed Board policy, all dividends and distributions of Liberty must be passed through to the Liberty tracking stock shareholders by AT&T. Moreover, because the value of Liberty's assets are represented by the value of the Liberty tracking shares, any appreciation in the value of Liberty or its assets will be reaped by the Liberty tracking stock shareholders, not by the holders of regular AT&T common stock. Thus, although AT&T as a legal corporate matter "owns" the assets of Liberty, the regular AT&T common shareholders have no "economic interest" – *i.e.*, the

[27] The Commission has held that Liberty's ownership of Time Warner stock is non-attributable for purposes of the cable ownership rules. *See* Memorandum Op. and Order, *Applications of Turner Broadcasting System and Time Warner for Consent to Transfer of Control*, 11 FCC Rcd. 19595, ¶¶ 17-19 (1995).

right to participate in the profits and losses of Liberty as a going concern – in Liberty. Instead, the economic interest is held by the Liberty tracking stock shareholders.[28]

Similarly, the operation of Liberty's programming assets is conducted separately by Liberty's current management. A majority of LMC's board will be individuals who were on the LMC board prior to the AT&T-TCI merger (or will be selected by pre-merger incumbent directors) for seven years following the AT&T-TCI merger. The LMC officers and Board of Directors decide Liberty's course autonomously.[29] Liberty and AT&T can compete with each other in their lines of business and have no obligation to provide financial support, share corporate opportunities, or otherwise assist each other. Liberty has control over its financing capability and other corporate matters, and AT&T may not "unwind" its ownership of Liberty except by a spin-off to the Liberty tracking stock shareholders.[30] In sum, only Liberty's tracking

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[28] Many of the structural safeguards and infrastructure features that establish Liberty's economic independence have been included in the final judgment entered into with the Department of Justice in connection with the merger of AT&T and TCI (and therefore carry the imprimatur of law).

[29] The only exceptions to this rule are (1) in the context of disputes under the Inter-Group Agreement between AT&T and Liberty, which is governed by the contractual terms of the agreement, and (2) those limited matters that require action at the AT&T Board or committee level, such as the issuance of additional Liberty tracking shares. The scope of the Inter-Group Agreement is limited: The overall purpose of the Inter-Group Agreement is to provide that, to the extent possible (given that Liberty is owned, as a legal and tax matter, directly or indirectly by AT&T), the AT&T Common Stock Group and Liberty shall have no obligations or responsibilities to one another to provide financial support, to offer corporate opportunities, or otherwise to assist one another, except as set forth in the Inter-Group Agreement or in a separate "Intercompany Agreement" (which sets forth, among other things, a supply relationship between Liberty and the AT&T Common Stock Group as to programming services).

[30] For example, AT&T cannot increase the authorized number of shares of Liberty Group tracking stock or dispose of the Liberty Group's underlying assets without the consent of the Liberty Group tracking stockholders, and the proceeds of any issuance of Liberty tracking stock generally must be invested in the Liberty Group. LMC also has the unilateral right to authorize and issue new common and preferred stock, within specified limits.

shareholders have an economic interest in Liberty's programming investments and only Liberty's management has the right to direct the operation of those investments.[31]

AT&T, through TCI, also owns a non-controlling 33 percent equity interest in Cablevision Systems Corp. ("Cablevision"). By virtue of its interest in Cablevision, TCI has an indirect interest in Rainbow Media Sports Holdings, Inc. ("Rainbow"). Cablevision owns 75 percent of Rainbow,[32] which owns American Movie Classics, Romance Classics, Bravo, Bravo International, The Independent Film Channel, AMC Music Pop, MuchMusic and News 12 Network. Rainbow also owns 50 percent of National Sports Partners ("Fox Sports Net") and 60 percent of Regional Programming Partners, which owns several regional sports networks. TCI holds only Class A stock in Cablevision, each share of which has only 1/10th of the voting power of the Class B stock. TCI's voting interest in Cablevision is only approximately 8.9 percent. Although AT&T has the right to nominate two Cablevision directors, there are a total of 15 directors on the board, and a majority of the directors are elected by members of the Dolan family, or by trusts in favor of members of the Dolan family. Thus, Cablevison, not AT&T, controls the Rainbow programming services.

AT&T also owns a 50 percent interest in two cable partnerships with Time Warner Cable – Kansas City Cable Partners and Texas Cable Partners, L.P. Each of the partnerships has a management committee with six members, three appointed by Time Warner Cable and three by AT&T. However, Time Warner Cable is the general manager of the cable

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[31] Liberty also owns a 13 percent interest in General Instrument Corp ("GI"). As described above, Liberty is an operationally and economically distinct entity from AT&T. Therefore, AT&T effectively has no economic interest in, or right to direct the operations of, GI.

[32] NBC Cable owns the other 25 percent of Rainbow.

systems, with sole and exclusive responsibility for the day-to-day management and operations of those systems. Time Warner Cable has the right to take any actions it deems necessary or advisable on day-to-day activities, without obtaining the prior approval of the management committee. AT&T does not purchase programming or control programming decisions on behalf of the partnership systems. Rather, Time Warner Cable makes all programming decisions, subject only to compliance with the following specific requirements: it may not unreasonably favor Time Warner-affiliated programming over similar programming affiliated with AT&T; it must obtain AT&T's consent prior to deleting AT&T-affiliated programming; and, because of commitments made prior to the formation of the partnership, the partnership is required to carry American Sports Classics, Home Shopping Network, MSNBC, Romance Classics, The Box, and Web TV on the systems contributed by AT&T as soon as practicable. Thus, although Time Warner Cable may not unilaterally disrupt the carriage of certain existing programming on partnership systems, and although Time Warner Cable must add certain minimal program services to systems contributed by AT&T when practicable, AT&T has no ability to cause the partnerships to refuse to carry any particular programming service.

AT&T - Internet. AT&T began service as an Internet service provider in 1995, and began offering consumer dial-up access in early 1996 through the AT&T WorldNet Service ("AT&T WorldNet"). AT&T WorldNet, which currently has about 1.8 million customers,[33] focuses on providing Internet access to consumers. Although most consumers access WorldNet

[33] With its acquisition of the IBM Global Network ("IGN"), AT&T also obtained less than 300,000 additional non-corporate billed Internet subscribers in the United States. This number includes customers of other Internet access providers that use the IGN network to provide Internet access to their customers. For purposes of this Public Interest statement, AT&T has included all of these IGN-based customers in its WorldNet figures.

on a dial-up basis, connectivity is also available via Frame Relay or private line, at speeds ranging from 56 Kbps to 45 Mbps.

In its merger with TCI, AT&T acquired an interest in At Home Corporation ("@Home"), a Silicon Valley start-up founded in 1995, which provides content-enriched Internet access service over the cable television infrastructure.[34] AT&T offers the @Home service to its subscribers. The @Home service allows subscribers to connect their personal computers via cable modems to a new high-speed network developed and managed by @Home. Subscribers obtain access to the public Internet and to other online content, including content developed by @Home's @Media group, which aggregates content, sells advertising and provides premium services to @Home subscribers. @Home services were purchased by approximately 326,000 subscribers (including 74,000 AT&T customers) in the United States as of June 1999. AT&T holds a 25.9 percent equity interest and a 57.0 percent voting interest in @Home.[35]

MediaOne. MediaOne has operations and investments in two principal areas: domestic broadband cable communications and international broadband and wireless communications. MediaOne's combined revenues for 1998, both domestic and international, were approximately $7.1 billion.[36]

At the end of 1998, as described more fully below, MediaOne's domestic cable television systems passed approximately 8.5 million homes and provided service to

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[34] On May 28, 1999, @Home merged with Excite, Inc. The newly merged company is now called Excite@Home.

[35] Other entities holding an interest in @Home include Comcast Corp., Cox Communications, Inc., Cablevision Systems Corp., Kleiner Perkins Caufield & Byers, and Shaw Cablesystems Ltd.

[36] 1998 MediaOne Annual Report at 20.

approximately 4.97 million subscribers.[37] Over the past four years, MediaOne has invested about $4.1 billion in upgrading its traditional, one-way, analog cable plant to two-way, digital, high capacity broadband facilities. This upgrade is complete in about half of MediaOne's service areas. In 1998 and early 1999, MediaOne began offering facilities-based local telephone service to residential customers in seven metropolitan areas, beginning in Atlanta, Georgia and continuing to Los Angeles, California; Jacksonville and Pompano, Florida; Boston, Massachusetts; Detroit, Michigan; and Richmond, Virginia.[38] Despite these efforts, MediaOne's overall penetration rate for residential telephony service in the territories that it serves is less than 3 percent of the homes that it has upgraded to provide cable telephony. Currently, MediaOne has slightly more than 26,000 local telephony customers.[39]

MediaOne is not a competitive provider of long distance or international telecommunications services. Moreover, on April 6, 1998, MediaOne merged its domestic wireless mobile telephone businesses with AirTouch Communications, Inc. ("AirTouch").[40]

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[37] 1998 MediaOne 10-K at 1-2. MediaOne's interests in international broadband service providers passed approximately 2.6 million homes and provided service to approximately 993,000 subscribers. Among its international broadband interests, MediaOne holds a 29.9 percent interest in Telewest Communications plc, which provides cable and telecommunications services in the United Kingdom.

[38] 1998 MediaOne 10-K at 19.

[39] MediaOne also holds a 19 percent interest in Time Warner Telephone ("TWT"), a CLEC that provides local exchange and exchange access service, primarily to large business customers in urban areas. TWT serves approximately 20 cities, including four cities in New York (New York City, Albany, Binghamton and Rochester); three cities in North Carolina (Raleigh, Charlotte, and Greensboro); four cities in Texas (Dallas, Austin, San Antonio and Houston); two cities in Florida (Tampa and Orlando); two cities in Ohio (Cincinnati and Columbus); and San Diego, California; Memphis, Tennessee; Jersey City, New Jersey; Milwaukee, Wisconsin; Indianapolis, Indiana; and Honolulu, Hawaii. <www.twtelecom.com/TimeWarnerCities>.

[40] *See* 1998 MediaOne 10-K at 19.

This included MediaOne's 2.6 million domestic cellular communications customers, as well as its 25 percent interest in PrimeCo Personal Communications, L.P.[41] In exchange, MediaOne received a passive stock interest in AirTouch. AirTouch was acquired by Vodafone Group, PLC ("Vodafone"), on June 30, 1999, pursuant to the Wireless Telecommunications Bureau's Order released on June 22, 1999 consenting to the proposed transaction.[42] Through the consummation of Vodafone's acquisition of AirTouch, MediaOne's interest in AirTouch's mobile telephony business has been reduced to an interest in Vodafone of approximately 4.9 percent.

MediaOne - Cable Television Systems and Video Programming. MediaOne delivers a wide range of video products to homes and businesses, including: local broadcast stations; national, regional, and local cable programming services; premium movie and pay-per-view services; and sports programming services. As noted above, MediaOne's cable systems pass approximately 8.5 million homes and serve approximately 4.97 million subscribers. A list of these interests is contained in Appendix B.

In addition, MediaOne has a 25.51 percent interest in TWE, which provides cable service through cable systems that pass approximately 17.9 million homes and serve approximately 11.2 million subscribers nationwide. The remaining 74.49 percent interest in TWE is held by Time Warner, Inc. After the Merger, AT&T will have no right or ability to participate in the management of the TWE cable systems, including programming decisions

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[41] *Id.* at 15.

[42] *See* Memorandum Op. and Order, *In re Applications of AirTouch Communications, Inc., Transferor, and Vodafone Group, PLC, Transferee, for Consent to Transfer Control of Licenses and Authorizations*, DA 99-1200 (FCC June 22, 1999) ("*AirTouch-Vodafone*").

made with regard to those systems.[43] The TWE cable systems are managed on a day-to-day basis by Time Warner Cable. Time Warner Cable makes programming decisions for the partnership systems, subject to the direction of the TWE Cable Management Committee. Following the Merger, AT&T will not have *any* representation on the TWE Cable Management Committee.[44]

MediaOne also holds interests in the following programming services: Food Network, Sunshine Network, Music Choice, E! Entertainment, Viewers Choice, Speedvision, Outdoor Life, in which MediaOne holds minority interests, and New England Cable News and Fox Sports New England, in each of which MediaOne holds a 50% interest. MediaOne does not manage or have affirmative control over any of these programming services.

MediaOne - Internet. Media One holds an approximate 34.67 percent interest in an Internet joint venture, Road Runner,[45] that was formed in 1998. MediaOne offers the Road

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[43] MediaOne also holds an indirect 25.51 percent interest in HBO, Cinemax, and WB Network, and a 12.5 percent interest in Comedy Central and Court TV, each through its minority interest in TWE. As described below, MediaOne does not control TWE's programming operations.

[44] AT&T will have the right to appoint two of six TWE Board members. However, regarding the operation of the cable systems, the TWE Board is subject to the authority of the TWE Cable Management Committee, in which AT&T will not have any participation. Thus, AT&T's appointment of these Board members will not give AT&T the ability to control programming choices for the TWE systems.

[45] The Road Runner joint venture is operated by ServiceCo LLC ("ServiceCo"), which is owned by MediaOne, Time Warner, Inc. and its affiliates ("TWI"), Time Warner Entertainment-Cable ("TWE-Cable"), the Time Warner Entertainment-Advance/Newhouse Partnership ("TWE-A/N"), Compaq, and Microsoft. Compaq and Microsoft each hold a 10 percent interest in ServiceCo. The remaining 80 percent interest of ServiceCo is owned by MediaOne, TWI, TWE-Cable, and TWE-A/N through Cable HoldCo, a limited liability corporation. The ownership of Cable HoldCo is as follows: MediaOne has a 31.38 percent interest, TWI has a 10.70 percent interest, TWE-Cable has a 24.99 percent interest and TWE-A/N has a 32.93 percent interest. MediaOne's interest in ServiceCo (including proportionate share of interests held by TWE and TWE-A/N) is 34.67 percent.

Runner service to its subscribers. The Road Runner service is a digital, two-way interactive offering that includes broadband connectivity between a cable operator and a subscriber, access to the Internet, interactive content and programming, menus, navigational aids, electronic mail, access to newsgroups, a web browser, hosting, and other enhancements. As of April 1999, approximately 250,000 consumers (including approximately 125,000 MediaOne customers) purchased Road Runner services.

III. MERGER STANDARDS

As detailed below, the Merger will combine AT&T's strong brand and telecommunications expertise with MediaOne's "last mile" cable facilities, thereby expanding and accelerating the merged entity's ability to compete with incumbent LECs in providing local telephone services to residential customers. The Merger also will increase consumers' access to a wide array of packaged and *a la carte* services – including video and content-enriched high-speed Internet access.

In assessing the competitive effects of a proposed merger, the Commission now employs the same basic analytical framework articulated in *Bell Atlantic-NYNEX* and developed in subsequent Commission orders.[46] This framework includes an assessment of merger-specific

[46] *See AT&T-TCI* ¶¶ 13-16; Memorandum Op. and Order, *Application of WorldCom, Inc. and MCI Communications Corp. for Transfer of Control of MCI Communications Corp. to WorldCom, Inc.*, CC Docket No. 97-211, ¶¶ 15-22 (FCC Sep. 14, 1998) ("*MCI-WorldCom*"); *AT&T-Teleport* ¶¶ 14-19; Memorandum Op. and Order, *MCI Communications Corp. and British Telecommunications PLC*, 12 FCC Rcd. 15351, ¶¶ 28-30 (1997) ("*BT-MCI*"); Memorandum Op. and Order, *In the Application of NYNEX Corp., Transferor, and Bell Atlantic Corp., Transferee, for Consent to Transfer Control of NYNEX Corp. and its Subsidiaries*, 12 FCC Rcd. 19985, ¶¶ 37-48 (1997) ("*Bell Atlantic-NYNEX*"). AT&T and MediaOne do not believe that it is necessary for the Commission, in determining whether this Merger is in the public interest, to conduct the searching competitive effects inquiry that the Commission first

(Continued . . .)